

Uae economy: past, present and future



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Aim:

The main aim of the project is to discuss the past, present and the future of the economy of UAE for the past 20 years of time. The condition of this country before and after the discovery of the oil has changed a lot. Even the aim is to cover all the aspects of this country. Due to the change in the economy what are the changes in the different fields. And how has the economy been influencing the people and their fields for the last 20 years. The aim is still not complete these were the primary aim and even the secondary aim for this project is to investigate on which factors the economy of the country is being depended. What are the government budgets for the last twenty years, what has been changed in this budget in the past years and what the going to be changes in this budget is? The aim of this project is not completed here the aspects which has also been covered in this project is the foreign economic relation of UAE. Its export and import, banking and finance and all the factors have been covered which somehow or the other influences the economy of the country. The Energy and the industrial sector of are hugely responsible for the economy of any country so the changes in them for the past 20 years have been discussed.

Objective:

The end which can be very sensibly achieved which are within the predictable timeframe and are with the availability of the resources. In general, the objective for this experiment is very broader in their scope than the goal, and it consist of the several type of the individual goals which UAE wants to receive or has received in the past 20 years or is going to receive in the coming years. Our objectives are like the basic tools that will help in the

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underlying of all planning and the strategic activities of the nation for making of its economy stable. The objective here serves as the basis for all type of the policies and its performance for the appraisals. Neutral or the bias free, relating to, or to what is based on the verifiable type of the evidence or the phenomenon in its place of the attitude, or in the belief, or opinion which are opposite of the subjective for this topic. (Economic Development in the UAE)

Structure:

The structure of the project is very carefully designed and chosen it contains the state of the economy of UAE before 20 years, the present state of the economy and the coming state of the economy. The starting structure of the project has been framed by them. Further the description of different sectors and their effect on the economy has been discussed like the oil sector, agriculture, mining, banking and various different sectors of UAE which has played a vital role in the framing of the present economy of the country.

Issue to be Resolved:

There are various issues which needs to be resolved like the issues related to the labor sector, mining sector and various issues which needs some severe type of attention or concern. Like the mining sector is not been given much of the importance except that of oil so these are some of the factors which need to get resolved. (Purposes & Objectives, 2008)

Investigation and Analysis:

There have been mentioned the different aspects of the economy of UAE with the comparisons and the ratios all have been explained under.

ECONOMY Overview: In the 20 years since the oil was first discovered and was exported, since then the UAE has been distorted from the region of the small type of sheikhdoms which are subsisting on the pearling, the fishing, herding, and the agriculture to the modern state with the higher per capita of the income and the substantial type of trade surplus. The largest and the wealthiest of the emirate, Abu Dhabi, are the principal type of petroleum producer and are also considered as the financier of this alliance. The city of Dubai, is the second major emirate, which thrives on the wealth which are derived from the services type based economy like those of tourism, construction, the telecommunications, media, the real estate, and the financial services and altogether, the two of these emirates provide around more than 75 to 80 percent of the whole economy of the UAE, while in the northern of the emirates which always remain relatively in the undeveloped. The key of the economics is the policy regarding the decisions which is completed at the various emirate levels with the little of the coordination's which are among the seven of the emirates.

The UAE has the economy which has remains of the heavily dependent on the oil and the natural gas; the revenue from the different oil which exports in the particulars which enables the various governments in order to the finance of the infrastructure for the type of the non-oil economy. It is statically, however, the type of the oil sector which has been declined in the recent years as the percentage of the various gross domestic type of the product. The economists of the forecasts that have in the year 2005-2006 which the different type of the oil sector which will differently account for at least less than 10 percent of the yearly increase of the size of the Emirates

economy, which is predictable to the grow which is at a average of the annual rate of around approximately 6. 5 percent. The investment in the manufacturing and in the energy-intensive of the sectors such as the petrochemicals and even the metals which will drive in the various non-oil type of sectors, they all are aided by the exports and are made additional to the competitive by the weakness for the U. S. dollars. These services and its sectors, chiefly tourism, which is expected to continue for the gain of the strength. The respected Sheikh “ Khalifa ibn Zayid Al Nuhayyan” of UAE, who have succeeded his father as the president of the country UAE in the month of November in 2004, it is expected to carry on the comparatively liberal type of the economic policies of all his predecessor their privatization of some of the government kind of the assets; the provision of their incentives for the foreign and their domestic private type of the investments; in the maintenance of the no national income or in the sales tax; and the curtailment of both the money laundering and the uses of the bank system in order to foster the terrorist and their activities.

The Gross Domestic Product or the GDP: In the year 2003 the UAE’s GDP was around US\$87. 6 billion. In the year 2004 the government has reported in a real kind of the growth rate of the 7. 8 percent, which is driven by an augment of around almost the 10 percent in the different type of the non-oil GDP. The various economists have calculated the year of the 2004 real GDP growth rate which at 7. 4 percent, with the GDP exceeding around the US\$103 billion. The per capita GDP of the years below the year 2000 was very high as compared with the other Arab countries which are almost the value of US\$24, 000. For the period of the year between 1990 and 2006, the

real GDP growth of UAE was very strong; it was not only driven by the high oil earnings but is also to be sustained by the expansions which are in the non-oil type of the sectors. The Real GDP was forecast to grow till 6.7 percent in the year 2005, with the GDP which is exceeding around US\$118 billion. (Arnold)

The GOVERNMENT Budget: In mid of every year the budget for the country is released, the UAE Ministry of Finance and the Industry always release the federal budget of the year, which many a times accounts for approximately around the 25 percent of the total federation of the fiscal transactions; these remainder always consists of the fiscal type of the operations of all the individual type of the emirates, and also in the combined type of the expenditures which constitute all the consolidated type of the financial records. Like taking the example, According to the UAE government in the figures, in 2005 the UAE government has projected in order to have a balanced type of the budget, which is as a result of the 4.5 percent rise in the revenue over the year 2004 which is coupled with a 4.9 percent of the decrease in their expenditures. This budget is the first of its type in more than 20 years that is not assumed to have a deficit.

Inflation: as far as the Inflation in the UAE is concerned it is more marked than in the majority of the type of the oil-based Gulf economies and it has risen very sharply in the recent years, the reaching of approximately around 4.5 percent of it in the year 2004 which is according to UAE government and its figures. This kind of rise is very much attributed to the surge in the domestic type of the demand which was generated by the escalating of the international oil prices, and the higher government spending, the low type of

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the interest rates, and its strong population growth. The economists have estimated that for the rate of the inflation it will rise to around approximately 6 percent in the year 2005. They all have noted, that however, in the UAE government where the data reflects only the costs which incurred by the nationals of the UAE, who all constitute around only one-fifth of the different populations and all are protected by the extensive system of the subsidies that will restrict the price which increases on the range of the core goods and their services. A more realistic of the measure of the cost of the living for all of the residents of the UAE the factoring is in the weakening of all the dirham which is against the major currencies it would result in the inflation of the rate close to around 10 percent.

Agriculture, Forestry, and Fishing sector: As the result of the adverse type of the climatic conditions like the nutrient-poor soil, the extreme type of aridity, and the high summer temperatures in UAE, for the past 20 years the agriculture has represented a comparatively very small portion of the gross domestic product of the UAE's economy. The employment in the field of the agricultural sector which has occupied approximately around 7 percent of the total employed population of the country in the past 20 years, but as a relatively very high proportion of the UAE nationals are being employed in farming sector, these sector do receives a very disproportionate share of the government which subsidies at around both of the federal and the local level. Dates are the UAE's major crop in the terms of the area which cultivated, but in the production of the vegetables it has augmented very dramatically, the particularly in the Abu Dhabi, and they are currently generates or the

revenue. Some of the other type of the major products is the eggs, the dairy products, and their poultry.

Also the fishing and the pearl diving were traditionally an important part of their economy, but in the pearl type of the industry which are collapsed with the development of the cultured type of the pearls. Fishing has been done with almost very exclusively for the domestic type of the consumptions.

There are no type of the fish-processing in the industry which is in the UAE in order to provide the market for 20, 000 or more then tons of the fishes caught each of the year that has exceed for the local demands, and the surplus of it is either the exported or when they returned to the sea. (The UAE economy: An Arab safe haven, 2011)

Imports: UAE has Imports that totaled in around US\$54. 2 billion for each year in the past years from 1990 to 2000 and they are projected with the increase in the order to around for US\$60. 2 billion in the past years, they have around US\$65. 6 billion in these years and they have around US\$68. 2 billion in recent years. The principal and the imports are like the machinery and the transport of the equipments, the chemicals, and their foods. They have the principal source for the UAE imports and in the year 2003 was in China for 10. 3 percent of their total other of the major countries of the origin which included in the countries in India, Japan, and in Germany.

Exports: In the year between the year 2000 and till 2010 the UAE has exports a total of the US\$82. 7 billion this is in the number which is projected to the increase till US\$103. 7 billion from the year 2005, and as a result of the record till the oil prices of it, and to around US\$106. 8 billion in these

year. And according to the official balance-of-the payments statistics, the hydrocarbon exports have account for around 60 percent of the total export of the UAE's revenues including their re-exports. The non-oil sectors of all this economy which have contribute in approximately around 40 percent of their total exports.

Banking and Finance: The UAE of the Central Bank was established around 1980 to the direct monetary, of the credits, and banking policy. It maintains the UAE government's reserves of gold and foreign currencies, and the acts which are as the bank for the banks operating in the UAE, and it acts as the states for the financial agent at the global financial institutions. In retort to the pressure from World Trade Organization in order to open the kind of the banking sector for more foreign antagonism, in late of the year 2004 the UAE and its Central Bank have stated that it would also consider the allowing the new foreign banks in order to establish it within themselves in the UAE and also for the first time in twenty years, but as of the late of the year in 2005 no new licenses have been issued here. Relative to all its population and its gross domestic products, the UAE have an abnormally high number of the banks having around 21 local, 25 type of foreign, 2 specialized types and around approximately about 50 delegate offices of other type of the different foreign banks. Top five commercial banks of the UAE controls about 65 percent of total banking which assets and they are reported very strong in their profit growth from the year 2002 through third quarter of the year 2005.

Dubai International Financial Center or DIFC has been opened officially in the month of September 2004. This DIFC is like a self-regulating type of the

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financial free zone; it operated independently of UAE Central Bank and is including more than the dozen of the international financial institutions. In the month of the September 2005, it has established the Dubai for the International Financial Exchange, which also provides the markets for the equities, their bonds, their funds, their sharia-compliant products, and the derivatives and are fully open to their foreign type of their investments.

The Dubai Financial Market or the DFM, which have opened in the month of March 2000 and by the month of February in the year of 2004, had 14 of the listed companies. It has reported for an increase in the trading volume of around 49 percent which is in between the year 2002 and in the year 2003. The Abu Dhabi have the securities market, which have been in the link very electronically to their DFM since the year 2004, have reported to an increase in the trading volume of around 176 percent which is between the year 2002 and the year 2003. The Shuaa Capital for the UAE General has the Index which has shown in the exceptional type of growth. It have rose in around 103 percent in the year 2004 and are at the end of the November in the year 2005 and was up till 125 percent since in the beginning of this year. (Kumar, 2011)

External Debt: The country UAE have does not released its data on the external kind of debt, but in the Organizations which are for the Economic and their co-operation and its development which are reported that the foreign borrowing which was around US\$18. 6 billion at the end of the year 2000, and also which has represented around 27 percent of the gross domestic type of product. The economists have an estimate that had the debt of the stock rose to around US\$22. 9 billion by the end of the year

2004. These have the amounts that are attributed to the growing of the number of the infrastructure projects which have financed through the medium- and are long-term in the foreign borrowings. According to the U. S. government and its International Monetary Fund which estimates, the UAE reserves of the foreign exchange and in the gold in the year 2005 which have ranged around US\$19. 8 billion to approximately \$23. 5 billion.

Foreign Aid: The Abu Dhabi Fund for all the development assists to the developing countries like those of UAE for the development of their economies by the extending of their project loans, its guarantees, the technical assistance grants, and even in the equity of the participations. Since the type of founding in the year 1991, these funds have given approximately US\$5. 2 billion for the aid to around 56 of the countries; the majority of its type of the loan which has its commitments of around 80. 5 percent has gone to the Arab countries. The Asian countries have received around 9. 5 percent of the various funds with the total assistance, for African countries, 7 percent.

Currency and the exchange Rate: The currency of the UAE is the dirham or the Dh, which has valued at around Dh 3. 67 to per US\$1. This currency dirham has pegged to the U. S. dollar with this rate since the middle of the 1980s. In the month of December, year 2001, the signing of the Gulf Co-Operation, the Council agreed for the establishment of a single type of the currency for the region, that the “dinar,” is by the month of January in the year 2010.

Recommendations and Feasibility

Economic growth is said to be the increase of the per capita income or the gross domestic product or the other measures of the aggregate income of the countrymen of a nation, and typically this is reported as the yearly rate of the change in the real GDP of that country. The economic growth of UAE is primarily driven by the improvements in the productivity or by the rises in the prices of oil, which involves the producing of the more goods and with the better services, like the same inputs of the labour, its capital, the energy and the materials. The economists have drawn a distinction in between the short-term of the economic stabilization and also the long-term of the economic growth of UAE. However, it's all dependent on how UAE implies all these methods on itself and also on the other country with which it earns. It also depends on the economic/social/and the political state of UAE as if this remains so then the economy will be on a high rise but if it gets altered at some point then one cannot say what will happen. What resources it has, and what it lacks.

Most obvious of the way that I can think of is that develop of the infrastructure in UAE, and also the bringing of the foreign direct investments in the country will be the easiest way to increase the economy of UAE. By the developing of the country's infrastructure; the facilities, the factories telecommunications, and even the distribution routes of it can be built to make the resources of the UAE more accessible or usable, and also with the policy of attract FDI which promotes the foreign direct investment.

By the attracting of the Foreign Direct Investment into the country like UAE, the coming foreign companies can unpredictably invest in or on the local

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workers. Not only this but these foreign companies can also help them by training and will also educate these local labour forces and will further hire them. Thus they will be creating employment and will be bringing in more and more money into the economy of the UAE.

In this figure the GDP for the recent three years have been mentioned containing the different units of the UAE which affects the economy of the country.

Conclusion:

The United Arab Emirates is very rich, contented and a wealthy country, and it's mainly due to the modest population, their hard working activity, and a base of the huge oil wells resources. These large budgets are surpluses and achieved in order to have enabled to the UAE in order to accumulate a generous and current type of the account balances, they are held mainly with the governments of the various individual type of the emirates and even partly by some other kind of the private establishments. This progress has been favorable in the social and the economic development of the country.

This successful type of the implementations of their human development policies in this country by hand in hand with the industrialization, even with the urbanization and the modernization, it is one of the most rare type of examples of the country which have successfully used the income from the huge natural resources for all its long-term establishment and development over the short period of the time from the early years of 1980s to the late of 1990s.

UNITED ARAB EMIRATES: FROM A NEW A NEW PERSPECTIVE- It is very much clear that the people of UAE have achieved some impressive type of improvements in many of the social and economic development type of the indicators during the time of the past three decades. This chapter has emphasized the high levels of the human development in the country like UAE, which is together with the relatively good record on the issues of the human rights. These all are the goals which must be still borne in the mind in attempts to which they sustain for their national development.